



Annual Report

FOR THE YEAR ENDED DECEMBER 31, 2014

BMG BullionFund



BULLION
MANAGEMENT
SERVICES INC.

A BMG Company

BMG BullionFund

Annual Financial Statements

For the years ended December 31, 2014 and 2013



BULLION
MANAGEMENT
SERVICES INC.
A BMG Company

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of BMG BullionFund have been prepared by Bullion Management Services Inc., in its capacity as manager (the “Manager”) of the BMG Fund, and have been approved by the Board of Directors of Bullion Management Services Inc. The Board of Directors is responsible for the information and representations contained in these financial statements and in the Management Report of Fund Performance.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards, and include certain amounts that are based on estimates and judgements made by the Manager. The significant accounting policies that the Manager believes are appropriate for the BMG Fund are described in Note 2 to the financial statements.

The Audit Committee of the Board of Directors is responsible for reviewing the financial statements and the Management Report of Fund Performance, and for recommending them to the Board of Directors of Bullion Management Services Inc. and the trustee for approval, in addition to meeting with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

BDO Canada LLP is the external auditor of the BMG Fund, and is appointed by the trustee of BMG BullionFund. The auditor of the BMG Fund has audited the financial statements in accordance with Canadian Generally Accepted Auditing Standards to enable it to express to the unitholders its opinion on the financial statements. The auditor’s report is set out herein.



Nick Barisheff
President & CEO
Director



Hema Anganu
Chief Financial Officer
Director



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Independent Auditor's Report

To the Unitholders of BMG BullionFund:

We have audited the accompanying financial statements of BMG BullionFund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, and the statements of comprehensive loss, changes in net assets attributable to holders of redeemable units, and cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BMG BullionFund as at December 31, 2014, December 31, 2013 and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 9, 2015

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STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014, December 31, 2013, and January 1, 2013

	December 31, 2014 \$	December 31, 2013 \$	January 1, 2013 \$
ASSETS			
Current assets			
Cash	986,821	925,522	1,794,626
Investments in bullion [Average cost \$180,594,840; December 2013 - \$211,071,022, January 2013 - \$241,667,710]	213,660,897	251,471,762	372,587,139
Accounts receivable	-	713,999	-
Subscriptions receivable	275,237	41,852	328,341
Due from Manager (Note 4)	187,917	1,388	2,923
Total assets	215,110,872	253,154,523	374,713,029
LIABILITIES			
Current liabilities			
Management fees payable	411,453	492,175	742,327
Redemptions payable	138,934	866,838	260,141
Accounts payable and accrued liabilities	292,431	88,861	216,962
Total liabilities (excluding net assets attributable to holders of redeemable units)	842,818	1,447,874	1,219,430
Net assets attributable to holders of redeemable units	214,268,054	251,706,649	373,493,599
Net assets attributable to holders of redeemable units per class (Note 3)			
Class A	170,302,667	198,337,219	293,475,655
Class B2	357,616	-	-
Class B3	461,695	476,242	-
Class C2	482,689	-	-
Class E09	113,925	128,250	203,628
Class E10	267,286	285,003	374,541
Class E11	2,683,017	5,300,406	8,746,131
Class E12	1,850,732	2,224,486	3,539,868
Class E15	1,427,974	2,156,429	3,125,115
Class F	18,065,378	22,642,995	35,918,888
Class G01	6,395,917	8,808,514	12,381,564
Class G05	403,147	757,486	1,000,499
Class G09	8,738,285	7,131,010	8,368,867
Class G10	973,866	1,005,547	2,207,720
Class G11	1,733,125	2,042,342	3,618,197
Class G15	10,735	410,720	532,926
	214,268,054	251,706,649	373,493,599

Net asset value attributable to holders of redeemable units per class is disclosed in Note 3.

See accompanying notes.

On behalf of the Board of Directors of Bullion Management Services Inc.,
Trustee and Manager of BMG BullionFund



Nick Barisheff
Director



Hema Anganu
Director

STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31

	2014 \$	2013 \$
INVESTMENT INCOME		
Net change in unrealized losses on investments in bullion	(7,334,683)	(90,518,689)
Net realized gains on investments in bullion	6,446,583	9,589,310
Foreign exchange gains	5,857	15,233
Early redemption fees	6,548	34,473
Other	2,833	17,219
Total investment loss	(872,862)	(80,862,454)
EXPENSES		
Management fees (Note 4)	5,111,829	6,407,149
Security holder reporting costs	823,451	776,190
Bullion storage fees	521,350	655,100
Services tax	779,984	821,545
Other administrative expenses	44,061	71,560
Legal fees	17,897	5,607
Audit fees	27,353	40,160
Filing fees	32,190	23,825
Independent Review Committee fees	17,333	15,548
Interest and bank charges	2	16
Total expenses	7,375,450	8,816,699
Expenses absorbed by Manager (Note 4)	(259,486)	(2,782)
Total expenses after absorption	7,115,964	8,813,917
Decrease in net assets attributable to holders of redeemable units	(7,988,826)	(89,676,371)
Increase (decrease) in net assets attributable to holders of redeemable units per class (Note 3)		
Class A	(6,787,244)	(70,896,689)
Class B2	(52,122)	-
Class B3	(14,547)	(23,758)
Class C2	(71,861)	-
Class E09	(3,701)	(37,814)
Class E10	(6,894)	(89,538)
Class E11	30,730	(1,914,802)
Class E12	(33,681)	(794,859)
Class E15	11,906	(696,498)
Class F	(221,679)	(8,113,716)
Class G01	(325,660)	(3,239,582)
Class G05	3,251	(251,885)
Class G09	(420,983)	(2,375,679)
Class G10	(31,681)	(481,752)
Class G11	(73,704)	(637,593)
Class G15	9,044	(122,206)
	(7,988,826)	(89,676,371)

See accompanying notes.

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31

	2014 \$	2013 \$
Net assets attributable to holders of redeemable units, beginning of year (Note 10)	251,706,649	373,493,599
Issue of redeemable units	28,083,255	47,439,913
Redemption of redeemable units	(57,533,024)	(79,550,492)
Decrease in net assets attributable to holders of redeemable units	(7,988,826)	(89,676,371)
Net assets attributable to holders of redeemable units, end of year	214,268,054	251,706,649

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2014 \$	2013 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Decrease in net assets attributable to holders of redeemable units	(7,988,826)	(89,676,371)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities		
Purchase of investments in bullion	(2,201,999)	(8,309,999)
Proceeds from sales of investments in bullion	39,124,764	48,495,997
Net realized gain on investments in bullion	(6,446,583)	(9,589,310)
Net change in unrealized loss on investments in bullion	7,334,683	90,518,689
Net changes in non-cash operating balances:		
(Increase)/decrease in accounts receivable	713,999	(713,999)
(Increase)/decrease in due from manager	(186,529)	1,535
Decrease in management fees payable	(80,722)	(250,152)
Increase/(decrease) in accounts payable and accrued liabilities	203,570	(128,101)
Net cash provided by operating activities	30,472,357	30,348,289
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	28,083,255	47,439,913
(Increase)/decrease in subscriptions receivable	(233,385)	286,489
Amounts paid on redemption of redeemable units	(57,533,024)	(79,550,492)
Increase/(decrease) in redemptions payable	(727,904)	606,697
Net cash used in financing activities	(30,411,058)	(31,217,393)
Net increase/(decrease) in cash during the year	61,299	(869,104)
Cash, beginning of the year	925,522	1,794,626
Cash, end of year	986,821	925,522

See accompanying notes.

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	69,588.295	460.678	70,048.973	69,962,174	97,300,423	45.33
Platinum Bullion	31,211.806	489.504	31,701.310	47,023,339	44,429,392	20.70
Silver Bullion	3,853,400.173	35,337.345	3,888,737.518	63,609,327	71,931,082	33.51
Cash				983,864	986,821	0.46
Total Investment				181,578,704	214,647,718	100.00

The BMG Fund's assets are held pursuant to a custodial agreement with a major Canadian chartered bank (or subsidiary thereof) on an allocated, segregated basis.

The allocated bullion is recorded by refinery, exact weight in ounces and identification number.

The BMG Fund's bullion is free and clear of any lien or claim that the major Canadian chartered bank (or subsidiary thereof) may have, except where the claim arises from any unpaid costs.

NOTES TO FINANCIAL STATEMENTS

1. Formation of the Fund

BMG BullionFund (the "BMG Fund") was established under the laws of Ontario by a Master Declaration of Trust and a Regulation each dated January 15, 2002, as amended. The address of the BMG Fund's registered office is: 280-60 Renfrew Drive, Markham, ON, L3R 0E1. Bullion Management Services Inc. (the "Manager") is the trustee and manager of the BMG Fund. The BMG Fund currently offers 16 classes of units. These financial statements pertain to Class A, Class B2, Class B3, Class C2, Class E09, Class E10, Class E11, Class E12, Class E15, Class F, Class G01, Class G05, Class G09, Class G10, Class G11, and Class G15.

The inception dates of the classes are as follows:

Class A	March 5, 2002	Class E15	February 20, 2008
Class B2	February 4, 2014	Class F	September 15, 2004
Class B3	November 11, 2013	Class G01	November 1, 2006
Class C2	March 12, 2014	Class G05	June 20, 2005
Class E09	November 27, 2007	Class G09	July 6, 2005
Class E10	April 7, 2008	Class G10	May 17, 2006
Class E11	January 25, 2006	Class G11	October 14, 2005
Class E12	January 19, 2011	Class G15	August 21, 2009

The BMG Fund is also authorized to issue Class I, Class S1 and Class S2 units, none of which have been issued. All classes share the same attributes from a valuation perspective, except that they are subject to different management fee rates.

The BMG Fund invests in equal dollar proportions of unencumbered gold, silver and platinum bullion, with the objective of providing a secure, convenient, low-cost, medium-risk alternative for investors seeking to hold bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes. The BMG Fund's fixed investment strategy avoids the need for a portfolio manager.

NOTES TO FINANCIAL STATEMENTS *(continued)*

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of Preparation and Adoption of IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The BMG Fund adopted this basis of accounting in 2014, as required by Canadian securities regulation and the Canadian Accounting Standards Board. Previously, the BMG Fund prepared interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles as defined in Part V of the CPA Handbook (“Canadian GAAP”). As these are the BMG Fund’s first annual financial statements prepared using IFRS, IFRS 1 – *First-Time Adoption of International Financial Reporting Standards* (“IFRS 1”) – has been applied. An explanation of how the transition from Canadian GAAP to IFRS has affected the statements of financial position, statements of comprehensive loss, and statements of changes in net assets attributable to holders of redeemable units is provided in Note 10.

The financial statements were authorized for issue by the Board of Directors on March 9, 2015.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, and are presented in Canadian dollars, which is the BMG Fund’s functional and presentation currency.

Financial Instruments

(a) Classification

The BMG Fund classifies its investments in bullion at fair value through profit or loss.

This category has two subcategories: financial assets or financial liabilities held for trading; and financial assets or financial liabilities designated at fair value through profit or loss at inception.

i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together, and for which there is evidence of a recent actual pattern of short-term profit taking.

ii) Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the BMG Fund’s documented investment strategy.

The BMG Fund classifies financial assets and financial liabilities other than its investments in bullion into the following categories:

- Financial asset at amortized cost and designated as loans and receivable: Cash, accounts receivable, due from manager and subscriptions receivable.
- Financial liabilities at amortized cost and designated as other financial liabilities: Accounts payable and accrued liabilities, redemptions payable, and management fees payable.

NOTES TO FINANCIAL STATEMENTS *(continued)*

(b) Recognition/derecognition

Purchases and sales of investments in bullion are recognized on the trade date, the date on which the BMG Fund commits to purchase or sell the investment. For financial assets acquired, cost is the fair value of the consideration given, while for financial liabilities, cost is the fair value of the consideration received. Transaction costs for such instruments are recognized directly in the statement of comprehensive loss as incurred. Financial assets classified as loans and receivables are recognized on the day that they are transferred to the BMG Fund at fair value, plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or the BMG Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities, other than those at fair value through profit or loss, are recognized initially at fair value plus transaction costs that are directly attributable to their acquisition or issue. Financial liabilities arising from the redeemable units issued by the BMG Fund are presented at the redemption amount representing the investors' right to a residual interest in the BMG Fund's assets. Financial liabilities are not recognized unless one of the parties has performed its obligation.

Realized gains and losses on investments in bullion are recognized in the statement of comprehensive loss. Costs of investments in bullion are determined on an average-cost basis.

(c) Subsequent measurement

Subsequent to initial recognition, the BMG Fund measures all financial instruments classified at fair value through profit or loss at fair value, with changes in the fair value recognized in the statement of comprehensive loss. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments traded in active markets is based on their quoted market prices at the close of trading on the reporting date. The fair value of financial instruments that are not traded in an active market is determined using a valuation technique, or sourced from a reputable broker/counterparty.

(d) Fair value measurement

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the BMG Fund has access at that date.

When the London market is open for trading, gold and platinum bullion are priced at fair value by using the London PM Fix price, and silver bullion is priced at fair value by using the London Fix price. These are internationally recognized price benchmarks set by the London Bullion Market Association (LBMA) for gold and silver, and by the London Platinum and Palladium Market for platinum. Gold and platinum have a price fix generally set twice daily, and identified by an AM or PM suffix. Silver has one price fix per day. COMEX closing prices will be used when the London market is not open.

Effective August 15, 2014, the old London Fix price for silver was replaced by the LBMA Silver Price. CME Group, owner of the COMEX, provides the electronic auction platform on which the price is calculated, and Thomson Reuters is responsible for administration and governance.

The difference between these official bullion prices and the average cost is shown as "Net change in unrealized gains/(losses) on investment in bullion." The market values of investments denominated in foreign currencies are translated into Canadian dollars at the rates of exchange applicable on the relevant valuation date.

(e) Classification of Fair value measurement

IFRS 13 requires the BMG Fund to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

Level 1	Unadjusted quoted prices in active markets
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices)
Level 3	Unobservable inputs

Fair value of investments in bullion is classified at Level 1 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS (continued)

Income and Expense Recognition

The BMG Fund follows the daily accrual method of recording investment income and expenses. Expenses specifically related to each class of units of the BMG Fund are charged directly to that class of units. Income, expenses and realized and unrealized gains (losses) are allocated to each class of the BMG Fund based on that class's pro-rated share of the total net assets of the BMG Fund.

Foreign Currency Translation

The BMG Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates that transactions occur. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing on the measurement date. Foreign exchange gains and losses are presented in the statements of comprehensive loss.

Offsetting Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

The BMG Fund assesses on each reporting date whether a financial asset or group of financial assets measured at amortized cost is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's amortized cost and the present value of estimated future cash flows discounted using the asset's original effective interest rate. Impairment losses on assets measured at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Calculation of Per Unit Net Asset Value ("NAV") Attributable to Holders of Redeemable Units

The NAV of each class of units of the BMG Fund is calculated in Canadian dollars at 4:00 p.m. (EST) on each day that the Toronto Stock Exchange is open for trading.

The NAV per unit of each class of the BMG Fund that is used for subscriptions and redemptions is the same as the net assets attributable to holders of redeemable units per unit of that class that is used in these financial statements.

A separate NAV is calculated for each class of units of the BMG Fund by taking that class's proportionate share of the BMG Fund's assets less that class's proportionate share of the BMG Fund's common liabilities and deducting from this amount all liabilities that relate solely to that specific class. The NAV per unit for each class is determined by dividing the NAV of each class by the number of units of that class outstanding at the relevant valuation date.

Income Taxes

The BMG Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the BMG Fund's net income for tax purposes and sufficient capital gains realized in any period are required to be distributed to unitholders such that no tax is payable by the BMG Fund. As a result, the BMG Fund does not record income taxes. Since the BMG Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. Refer to Note 6 for unused losses.

Increase (Decrease) in Per Unit Net Assets Attributable to Holders of Redeemable Units

Any increase (decrease) in per unit net assets attributable to holders of redeemable units represents the change in net assets attributable to holders of redeemable units of each class divided by the weighted average number of units of that class of the BMG Fund outstanding during the period (see Note 3).

NOTES TO FINANCIAL STATEMENTS (continued)

Critical Estimates and Judgements

In the application of the BMG Fund's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Board of Directors considers the currency of the primary economic environment in which the BMG Fund operates to be the Canadian dollar, as this is the currency that, in their opinion, most faithfully represents the economic effects of underlying transactions, events and conditions. Furthermore, the Canadian dollar is the currency in which the BMG Fund measures its performance, and also issues and redeems its redeemable units.

New Standards, Interpretations and Amendments Not Yet Adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the BMG Fund, with possibly the exception of IFRS 9, Financial Instruments ("IFRS 9"). IFRS9 was issued by the International Accounting Standards Board ("IASB") on October 28, 2010, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach and is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The BMG Fund is currently evaluating the impact of IFRS 9 on its financial statements.

3. Redeemable Units

Each unit of each class of the BMG Fund represents an interest in the assets of that class of the BMG Fund. All units of a class of the BMG Fund generally have the same rights and privileges. Each unit of each class of the BMG Fund is entitled to one vote at any meeting of unitholders of the BMG Fund. Each unit of each class of the BMG Fund is also entitled, subject to any management fee distributions, to participate equally in any distributions by the BMG Fund. Fractional units of a class of the BMG Fund are proportionately entitled to all the same rights as other units of that class of the BMG Fund, except that they are non-voting. All units of each class of the BMG Fund are fully paid when issued, and are generally not transferable. Units of each class of the BMG Fund are redeemable at the option of the unitholder owning such units. The number of units of the BMG Fund that may be issued is unlimited. The units of each class of the BMG Fund are issued and redeemed at the NAV per unit of that class of the BMG Fund. There are no differences between the NAV per unit of each class of the BMG Fund and the Net Assets Attributable to Holders of the Redeemable Units per Unit of each class of the BMG Fund.

Unitholder transactions during the years ended December 31:

	Class A		Class B2	
	2014	2013	2014	2013
Balance - beginning of year	21,660,979	24,078,744	-	-
Issued	1,772,725	2,794,737	42,431	-
Redeemed	(4,039,471)	(5,212,502)	(24)	-
Balance - end of year	19,394,233	21,660,979	42,407	-
Average units outstanding	20,576,857	23,116,698	30,224	-

	Class B3		Class C2	
	2014	2013	2014	2013
Balance - beginning of year	50,000	-	-	-
Issued	-	50,000	57,063	-
Redeemed	-	-	-	-
Balance - end of year	50,000	50,000	57,063	-
Average units outstanding	50,000	50,000	55,653	-

NOTES TO FINANCIAL STATEMENTS (continued)

	Class E09		Class E10	
	2014	2013	2014	2013
Balance - beginning of year	12,655	15,266	27,934	27,934
Issued	-	469	-	-
Redeemed	(1,054)	(3,080)	(920)	-
Balance - end of year	11,601	12,655	27,014	27,934
Average units outstanding	12,407	12,590	27,517	27,934

	Class E11		Class E12	
	2014	2013	2014	2013
Balance - beginning of year	512,231	643,732	289,155	350,887
Issued	-	4,766	-	6,415
Redeemed	(245,111)	(136,267)	(41,782)	(68,147)
Balance - end of year	267,120	512,231	247,373	289,155
Average units outstanding	376,580	550,859	263,248	330,220

	Class E15		Class F	
	2014	2013	2014	2013
Balance - beginning of year	201,667	223,856	2,235,041	2,692,893
Issued	-	-	555,195	711,752
Redeemed	(64,846)	(22,189)	(950,053)	(1,169,604)
Balance - end of year	136,821	201,667	1,840,183	2,235,041
Average units outstanding	160,175	216,781	1,992,039	2,420,588

	Class G01		Class G05	
	2014	2013	2014	2013
Balance - beginning of year	949,730	1,003,989	73,989	73,888
Issued	67,899	267,999	-	5,623
Redeemed	(298,608)	(322,258)	(33,006)	(5,522)
Balance - end of year	719,021	949,730	40,983	73,989
Average units outstanding	895,306	1,088,689	44,506	75,885

	Class G09		Class G10	
	2014	2013	2014	2013
Balance - beginning of year	709,094	633,188	99,897	166,878
Issued	335,054	451,139	-	-
Redeemed	(147,636)	(375,233)	-	(66,981)
Balance - end of year	896,512	709,094	99,897	99,897
Average units outstanding	800,973	731,342	99,897	149,812

	Class G11		Class G15	
	2014	2013	2014	2013
Balance - beginning of year	200,000	270,000	37,728	37,728
Issued	-	-	-	-
Redeemed	(25,000)	(70,000)	(36,728)	-
Balance - end of year	175,000	200,000	1,000	37,728
Average units outstanding	196,233	210,548	24,349	37,728

NOTES TO FINANCIAL STATEMENTS (continued)

Total Net Assets Attributable to Holders of Redeemable Units per Class and per Unit

For the year ended December 31, 2014

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Increase/ (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	Net assets attributable to holders of redeemable units per unit	Increase/ (decrease) in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	198,337,219	17,073,196	(38,320,504)	(6,787,244)	170,302,667	8.78	(0.33)
Class B2	-	409,959	(221)	(52,122)	357,616	8.43	(1.73)
Class B3	476,242	-	-	(14,547)	461,695	9.23	(0.29)
Class C2	-	554,550	-	(71,861)	482,689	8.46	(1.29)
Class E09	128,250	-	(10,624)	(3,701)	113,925	9.82	(0.30)
Class E10	285,003	-	(10,823)	(6,894)	267,286	9.89	(0.25)
Class E11	5,300,406	-	(2,648,119)	30,730	2,683,017	10.04	0.08
Class E12	2,224,486	-	(340,073)	(33,681)	1,850,732	7.48	(0.12)
Class E15	2,156,429	-	(740,361)	11,906	1,427,974	10.44	0.07
Class F	22,642,995	5,741,474	(10,097,412)	(221,679)	18,065,378	9.82	(0.11)
Class G01	8,808,514	681,141	(2,768,078)	(325,660)	6,395,917	8.90	(0.36)
Class G05	757,486	-	(357,590)	3,251	403,147	9.84	0.07
Class G09	7,131,010	3,622,935	(1,594,677)	(420,983)	8,738,285	9.75	(0.53)
Class G10	1,005,547	-	-	(31,681)	973,866	9.75	(0.31)
Class G11	2,042,342	-	(235,513)	(73,704)	1,733,125	9.90	(0.38)
Class G15	410,720	-	(409,029)	9,044	10,735	10.73	0.37
Total	251,706,649	28,083,255	57,533,024	(7,988,826)	214,268,054	N/A	N/A

For the year ended December 31, 2013

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Decrease in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	Net assets attributable to holders of redeemable units per unit	Decrease in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	293,475,655	30,377,981	(54,619,728)	(70,896,689)	198,337,219	9.16	(3.07)
Class B3	-	500,000	-	(23,758)	476,242	9.52	(0.48)
Class E09	203,628	5,000	(42,564)	(37,814)	128,250	10.13	(3.00)
Class E10	374,541	-	-	(89,538)	285,003	10.20	(3.21)
Class E11	8,746,131	55,525	(1,586,448)	(1,914,802)	5,300,406	10.35	(3.48)
Class E12	3,539,868	54,818	(575,341)	(794,859)	2,224,486	7.69	(2.41)
Class E15	3,125,115	-	(272,188)	(696,498)	2,156,429	10.69	(3.21)
Class F	35,918,888	8,362,752	(13,524,929)	(8,113,716)	22,642,995	10.13	(3.35)
Class G01	12,381,564	2,903,406	(3,236,874)	(3,239,582)	8,808,514	9.27	(2.98)
Class G05	1,000,499	78,378	(69,506)	(251,855)	757,486	10.24	(3.32)
Class G09	8,368,867	5,102,053	(3,964,231)	(2,375,679)	7,131,010	10.06	(3.25)
Class G10	2,207,720	-	(720,421)	(481,752)	1,005,547	10.07	(3.22)
Class G11	3,618,197	-	(938,262)	(637,593)	2,042,342	10.21	(3.03)
Class G15	532,926	-	-	(122,206)	410,720	10.89	(3.24)
Total	373,493,599	47,439,913	(79,550,492)	(89,676,371)	251,706,649	N/A	N/A

NOTES TO FINANCIAL STATEMENTS (continued)

Reclassification of Certain Classes

On or around March 27, 2015, all of the outstanding units of certain classes of the BMG Fund on that date will be reclassified into certain other classes of the BMG Fund as noted below:

Class being Reclassified	Class being Reclassified into
Class E09 and G09	Class F
Class E10, G10 and G11	Class C1
Class E11 and E12	Class C2
Class G1	Class A
Class G05	Class B3

4. Related-Party Transactions

Management Fees

The Manager is responsible for the day-to-day activities of the BMG Fund, providing or arranging for all required administrative services, and arranging for the distribution of units of the BMG Fund. For these services, the BMG Fund pays the Manager an annual management fee as defined by the rates set out below. The fees are payable monthly in arrears based on the average daily net assets of the BMG Fund.

Class A	2.25%	Class E15	0.50%
Class B2	1.49%	Class F	1.25%
Class B3	1.25%	Class G01	2.25%
Class C2	0.87%	Class G05	1.75%
Class E09	1.25%	Class G09	1.25%
Class E10	1.125%	Class G10	1.125%
Class E11	1.00%	Class G11	1.00%
Class E12	0.875%	Class G15	0.50%

For the year ended December 31, 2014, the BMG Fund incurred management fees of \$5,111,829 [2013: \$6,407,149].

For the year ended December 31, 2014, the Manager absorbed Fund operating expenses of \$259,486 [2013: \$2,782]. The decision to reduce BMG Fund operating expenses is made at the discretion of the Manager, and may be changed at any time.

Holdings of Related Party

The Manager held units in the following Class as at December 31, 2014 and 2013, and January 1, 2013:

	December 31, 2014	December 31, 2013	January 1, 2013
Class A	1	1	1

5. Sales Commission

A sales commission may be charged by a registered dealer or representative at the time an investor buys Class A units, Class B units, Class E units, Class G units or Class S units of the BMG Fund. The maximum amount of the sales commission for Classes A, B, E and G is 5.26% of the net amount invested. The sales commission is only negotiable for Classes A, B, E and G. No sales commission is currently charged for the other classes of units of the BMG Fund.

The Manager paid trailer fees to dealers of \$2,026,379 during the 2014 fiscal year [2013: \$2,554,737].

6. Income Tax Loss Carryforwards

The BMG Fund has non-capital loss carryforwards of approximately \$34,356,000 [2013: 31,925,000] available to offset future years' taxable income.

Non-capital losses expire in the taxation year ending December 31:

Year	\$	Year	\$
2015	\$914,000	2030	\$3,094,000
2026	\$888,000	2031	\$5,556,000
2027	\$3,432,000	2032	\$6,218,000
2028	\$5,027,000	2033	\$3,212,000
2029	\$2,727,000	2034	\$3,288,000

NOTES TO FINANCIAL STATEMENTS (continued)

7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, accounts receivable, subscriptions receivable, due from manager, and investments in bullion. The BMG Fund's cash and bullion holdings are exposed to various types of risk, including market risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks and related risk management practices employed by the BMG Fund are described below:

Market Risk

Market risk is the risk that the fair value or future cash flows of investments in bullion will fluctuate because of changes in market prices or transaction timing. The market price of gold, silver and platinum is affected by a variety of factors, including demand, supply, international events and economic events. The BMG Fund employs a purchase-and-hold investment strategy with purchases allocated one-third to each of gold, silver and platinum bullion. Since the BMG Fund does not lease bullion, the only future cash flows will be from dispositions of bullion. Dispositions of bullion will be necessary to pay redemptions when cash reserves are not adequate.

As at December 31, 2014, the effect on the BMG Fund's net assets if there were a 5% increase, or decrease, in the price of gold, silver and platinum bullion, with all other variables held constant, would be an increase, or decrease, of \$10,683,045 [December 31, 2013: \$12,573,588; January 1, 2013: \$18,629,357] or 5% [December 31, 2013: 5%; January 1, 2013: 4.99%].

The actual results will vary depending upon the quantity of bullion held and other factors, and the difference may be material.

Credit Risk

As at December 31, 2014, December 31 2013 and January 1, 2013, the BMG Fund had no significant investments in debt instruments and/or derivatives. The BMG Fund limits its exposure to credit loss by placing its cash in high-credit-quality issuers. Dispositions of bullion, if any, are with a major Canadian chartered bank (or subsidiary thereof) that is a recognized dealer in bullion. The BMG Fund may have credit exposure to the Canadian chartered bank (or subsidiary thereof) to the extent of any unsettled trades.

Liquidity Risk

The BMG Fund is exposed to daily cash redemptions of redeemable units. The BMG Fund aims to retain sufficient cash positions to maintain liquidity. In addition, bullion is readily realizable and liquid. Therefore, the BMG Fund's liquidity risk is minimal. All liabilities are payable within a year. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for longer periods. The tables below analyze the BMG Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows.

December 31, 2014

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 411,453	\$ 411,453
Redemptions payable	-	138,934	138,934
Accounts payable and accrued liabilities	-	292,431	292,431
Redeemable units	214,268,054	-	214,268,054

December 31, 2013

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 492,175	\$ 492,175
Redemptions payable	-	866,838	866,838
Accounts payable and accrued liabilities	-	88,861	88,861
Redeemable units	251,706,649	-	251,706,649

January 1, 2013

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 742,327	\$ 742,327
Redemptions payable	-	260,141	260,141
Accounts payable and accrued liabilities	-	216,962	216,962
Redeemable units	373,493,599	-	373,493,599

NOTES TO FINANCIAL STATEMENTS (continued)

Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these units typically retain them for a longer period.

Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at December 31, 2014, December 31, 2013 and January 1, 2013. Accordingly, the BMG Fund is not directly exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

Bullion is generally quoted and traded in US dollars and, as a result, the BMG Fund is subject to foreign currency risk. The BMG Fund does not hedge its foreign currency exposure.

The BMG Fund holds cash in Canadian and US dollars to pay redemptions and operating costs. The Manager monitors the cash balance of the BMG Fund on a daily basis, and only purchases bullion when surplus cash is available. Normally the cash balance is less than 5% of the assets of the BMG Fund.

As at December 31, 2014, 99.8% [December 31, 2013: 100.0%; January 1, 2013: 99.8%] of the BMG Fund's net assets were exposed to US dollars. If the exchange rate with the Canadian dollar increased or decreased by 1%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$2,138,304 [December 31, 2013: \$2,517,427; January 1, 2013: \$3,728,224].

Actual results may differ from this sensitivity analysis and the difference could be material, because the price of bullion tends to be negatively correlated with the US dollar.

Foreign Currency Exposure December 31, 2014

Description	US \$	Canada \$	Total \$
Cash	238,730	748,091	986,821
Investments in bullion	213,660,897	-	213,660,897
Other Net Assets	(69,262)	(310,402)	(379,664)
Net Assets	213,830,365	437,689	214,268,054
Percent	99.8%	0.2%	100.0%

December 31, 2013

Description	US \$	Canada \$	Total \$
Cash	334,642	590,880	925,522
Investments in bullion	251,471,762	-	251,471,762
Other Net Assets	(63,741)	(626,894)	(690,635)
Net Assets	251,742,663	(36,014)	251,706,649
Percent	100.0%	0.0%	100.0%

January 01, 2013

Description	US \$	Canada \$	Total \$
Cash	317,136	1,477,490	1,794,626
Investments in bullion	372,587,139	-	372,587,139
Other Net Assets	(81,869)	(806,297)	(888,166)
Net Assets	372,822,406	671,193	373,493,599
Percent	99.8%	0.2%	100.0%

NOTES TO FINANCIAL STATEMENTS (continued)

8. Capital Management

Redeemable units issued and outstanding are considered to be the capital of the BMG Fund. The BMG Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the BMG Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice must be received no later than 4:00 p.m. EST on the valuation day upon which the units are to be redeemed. Additionally, the notice must be irrevocable and the signature thereon must be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Manager. The units are redeemable for cash equal to a pro rata share of the BMG Fund's net asset value.

9. Fair Value Measurement

All fair value measurements above are recurring. The carrying values of cash, accounts receivable, due from manager, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and management fees payable and the BMG Fund's obligation for net assets attributable to holders of redeemable units approximate their fair values because of their short-term nature. Fair values are classified as Level 1 when the related investment is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are classified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

There were no transfers between levels for the years ended December 31, 2014 and 2013, and at January 1, 2013. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2014 and 2013, and at January 1, 2013.

10. Transition to IFRS

The effect of the BMG Fund's transition to IFRS is summarized as follows:

Transition Elections

The only voluntary exemption adopted by the BMG Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Statement of Cash Flows

Under Canadian GAAP, the BMG Fund was exempt from providing a statement of cash flows. Under IFRS, IAS 1 requires that a complete set of financial statements includes a statement of cash flows for the current and comparative periods, without exception.

Revaluation of Investments in Bullion at Fair Value Through Profit or Loss (FVTPL)

Previously under Canadian GAAP, the fair value of the BMG Fund's investments in bullion was measured at the London PM Fix price for gold and platinum bullion, and London Fix (now the LBMA Silver Price) for silver bullion. Under IFRS, the Manager concluded that previous fair value measurements are representative, and are used to measure the fair value of bullion investments. As a result, the aggregate adjustment to net assets attributable to holders of redeemable units as at January 1, 2013 and December 31, 2013 is nil.

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS

Equity	December 31, 2013	January 1, 2013
Equity reported under Canadian GAAP	\$ 251,706,649	\$ 373,493,599
Revaluation of investment at FVTPL	-	-
Net assets attributable to holders of redeemable units	\$ 251,706,649	\$ 373,493,599

Comprehensive Loss	December 31, 2013
Comprehensive loss reported under Canadian GAAP	(\$ 89,676,371)
Revaluation of investments at FVTPL	-
Decrease in net assets attributable to holders of redeemable units	(\$ 89,676,371)

NOTES TO FINANCIAL STATEMENTS *(continued)*

Classification of Redeemable Units Issued by the BMG Fund

Under Canadian GAAP, the BMG Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units that include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The BMG Fund's units do not meet the criteria in IAS 32 for classification as equity as each class of unit is subject to a different fee structure as described in Note 4, and have therefore been reclassified as financial liabilities on transition to IFRS.

The adoption of IFRS did not result in any changes to the previously reported net assets of the BMG Fund, or the previously reported NAV per class of redeemable unit. Redeemable units of the BMG Fund are puttable instruments, and IFRS requires them to be presented as equity or liability depending on certain criteria. As at January 1, 2013, throughout the years ended December 31, 2013 and 2014, redeemable units of the BMG Fund did not meet the criteria to be classified as equity. As a result, the redeemable units have been presented as a liability in the Statement of Financial Position.

IFRS requires the presentation of a Statement of Cash Flows, including comparatives for 2013. The BMG Fund had not previously presented this statement as permitted under Canadian GAAP. In addition, other statements presented have been renamed as follows:

Canadian GAAP

Statements of Net Assets

Statements of Operations

Statements of Changes in Net Assets

Statement of Investment Portfolio

IFRS

Statements of Financial Position

Statements of Comprehensive Income (Loss)

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

Schedule of Investment Portfolio

The BMG Group of Companies includes the parent company, Bullion Management Group Inc., and its wholly owned subsidiaries, Bullion Management Services Inc., Bullion Marketing Services Inc., BMG DSC Inc. and Bullion Custodial Services Inc. (collectively "BMG").

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